

**MINUTES**  
**INVESTMENT COMMITTEE MEETING**  
**RETIREMENT BOARD OF TRUSTEES**  
**CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE**  
**EMPLOYEES' RETIREMENT SYSTEM**  
**MAY 7, 2021**

The Investment Committee meeting was held in the boardroom of the Retirement Office at 209 Saint Ferdinand Street, and was called to order at 10:02 a.m. by Investment Committee Chairman Mr. Mark LeBlanc. Committee members present: Mr. David West and Mr. J. Daniels. Absent: None. Other Board members present: None. Staff present: Mr. Jeffrey Yates. Others present: Mr. Joe Toups – Council Budget Officer. Also joining by teleconference call were Mr. Jon Breth, and Mr. Chris Brokaw – AndCo.

Mr. Yates called the roll.

The chairman stated that the first item on the agenda was Item 1, Presentation by AndCo of First Quarter 2021 Investment Performance Review for CPERS and PGT, and recognized Mr. Breth for his comments. Mr. Breth began by giving a recap of the economic and investment environment that helped propel the positive first quarter's performance. He stated that the first quarter was almost an extension of the 2020 fourth quarter and it had continued its momentum with the positive news about the vaccine development and availability, and about the second round of stimulus payments to bolster the economy as part of the \$1.9 trillion COVID Relief Bill. Small and midcap stocks led the way out of the recession and remained strong in the quarter, however the weakness for the quarter rested with fixed income, with the exception of corporate bonds and TIPS. This was caused primarily by a rising interest rate during the first quarter. The solid performance in the first quarter set the stage for the huge returns showing over the trailing one-year period. Recently there has been a rotation from growth to value for performance, including consumer goods and energy. The large cap FAANG stocks are experiencing valuation concerns and are tapering off in performance as security fundamentals become more of a concern. The US Dollar became a little more attractive to foreign investors as interest rates ticked upward and the economy loosened up since the onslaught of the pandemic. Although international and emerging markets strengthened their performance, the translation into US Dollars significantly reduced their performance. He again noted the strong performance of high-yield bonds with their short duration. Mr. Brokaw then presented the performance numbers beginning with the total fund composite of 3.08 percent, as compared to the benchmark of 1.86 percent. Assets were just under \$1.3 billion. The one year numbers were 35.26 percent against the benchmark of 29.64 percent. Equities, especially small and midcap equities posted a first quarter performance of 8.8 percent, and a trailing one year performance of 72.6 percent. International equities did well also with quarterly performance of 4.16 percent and one year performance of 60.36 percent. Although fixed income performed negatively, the shorter duration of some of the portfolios helped to cushion the decline for the quarter. GTAA performed well while hedge funds underperformed due to underweighting of equities in the strategy. Real estate had a mix of gains and losses as the market continued to favor industrials and life science, but not retail. Mr. Brokaw then covered the drivers of the performance of the individual investment managers for various time horizons. It was noted that Segall Bryant & Hamill (SBH) had turned things around positively, due to their tilt to high quality value in the international equity space. Mr. Breth noted that the GTAA fund being substituted in February for the Market Advantage Fund had been a good move and well timed in the current market. He reminded the committee that Magnitude was on watch primarily because of a senior management departure, but the underperformance to the benchmark was explained by the smaller allocation to equity strategies in the underlying funds. Although Magnitude does a good job protecting on the downside, AndCo recommended looking at some of their peers to see other managers that generate more positive performance overall. He gave a brief review of some of the acquisitions and dispositions of real estate manager Clarion as they reposition to the changing market. There was a brief discussion regarding the contract negotiations with Principal Enhanced Real Estate manager, and Mr. Yates noted that he and Rebecca Wisbar had been reviewing documents and trying to better secure CPERS' position as a partner by means of a side letter. He noted that topics such as fiduciary position, and ethics in Louisiana law were some of the sticking points they were having issues with, but he noted that they would make every effort to come to reasonable terms with the contract and side letter. Mr. Breth then outlined the private equity portfolio and the positive return of 13.71 percent. He noted the Franklin Park fund and the planned commitment of another \$50 million in the future. In answer to a question from Mr. West, Mr. Breth explained the J-curve effect that was currently keeping the Franklin Park returns in negative territory, in addition to their strategy that does not employ the use of secondaries.

Regarding the PGT performance, Mr. Breth stated that the portfolio had been transitioned into the various funds since August of 2020, and had produced a quarterly return of 1.44 percent despite being conservatively positioned with a heavy fixed income allocation and with no real estate, hedge funds or private equity. The PGT can be expected to lag the CPERS trust performance. He reminded the committee that the fund was well positioned and was constructed to be very liquid and inexpensive for fees. It covers all the main areas of the investment markets and can allow for much less cash balance at any point in time thus putting the great majority of the funds to work.

The next item on the agenda was Item 3, Peer Review of Segal Bryant, Hamill Emerging Markets Equity Allocation. Mr. Breth stated that the research booklet was prepared with a review and comparison of seven EM managers. He noted that fees range from 111 basis points down to 39 basis points in the commingled funds and partnerships. He briefly compared and contrasted these managers to SBH. He noted that some of these managers may have capacity issues, but in general they are all managed by a team of professionals, have various return assumptions, different styles, and different strategies. He showed the differences between firms in terms of number of holdings, P/E ratio, average market cap, and other factors. He explained the variations in the performance of the managers over different time horizons by noting the differences in their investment strategies, and how deep their

value commitment was. He also contrasted the managers’ performances by risk and return, and compared their Sharpe Ratios, the Alpha, the Information Ratios, and the batting averages. He stated that the two managers that consistently stand out for performance are City of London and Wellington, and he noted that it was not necessary to have two EM managers, and that the SBH allocation could be collapsed into City of London. However, he believed it would be advisable to keep SBH on watch because of the current value run in the market, and SBH’s ability to perform well in this type of environment. As the year progresses, we will have a better view of what to do about retaining SBH after value has its run. There was a brief discussion about how two EM managers were originally hired and whether or not that diversification should be maintained. Mr. LeBlanc stated that he thought it was important to have a number of decision-makers in the investment firms rather than one or two. In answer to a question from Mr. West, Mr. Breth explained the process and timing of terminating the relationship with SBH and contracting with another firm, including the legal review of documents and funding the new firm. He noted that SBH is selling the firm to a Canadian company. He reiterated that SBH should be kept on watch for now, and the topic can be looked at again for the August quarterly meeting.

Seeing no Administrative Matters or other items on the agenda, the chairman called for a motion to adjourn.

**Motion by Mr. West, seconded by Mr. Daniels to adjourn the meeting at 11:37 a.m.**

**No discussion and no objections.**

**Motion passed by those members present.**

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**MARK LEBLANC**  
**INVESTMENT COMMITTEE CHAIRMAN**

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**JEFFREY R. YATES**  
**RETIREMENT ADMINISTRATOR**